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UNITED STATES DISTRICT COURT
DISTRICT OF OREGON
PORTLAND DIVISION

**MERCHANDISING TECHNOLOGIES,
INC.**, an Oregon corporation,

Case No. 3:11-cv-01354-ST

Plaintiff,

v.

VANGUARD PRODUCTS GROUP, INC.,
an Illinois corporation, doing business as
Vanguard Protex Global,

**PLAINTIFF'S ANSWER AND
AFFIRMATIVE DEFENSES TO
DEFENDANT'S COUNTERCLAIMS**

Defendant.

JURY TRIAL DEMANDED

PATENT CASE

For its Answer to the Counterclaims of defendant Vanguard Products Group, Inc.
("Vanguard"), plaintiff Merchandising Technologies, Inc. ("MTI") admits, denies and alleges as
follows:

1. MTI admits the allegations of paragraph 42.
2. MTI admits the allegations of paragraph 43.
3. MTI admits the allegations of paragraph 44.
4. With respect to paragraph 45, MTI admits that the records of the U.S. Patent and Trademark Office identify Vanguard as the owner of U.S. Patent No. 5,726,627 (“the ‘627 Patent”). Except as specifically admitted, MTI denies the allegations of paragraph 45.
5. With respect to paragraph 46, MTI admits that the records of the U.S. Patent and Trademark Office identify Vanguard as the owner of U.S. Patent No. 6,278,365 (“the ‘365 Patent”). Except as specifically admitted, MTI denies the allegations of paragraph 46.
6. MTI denies the allegations of paragraph 47.
7. With respect to paragraph 48, MTI admits that it knew of the ‘627 and ‘365 Patents prior to this lawsuit, and that it has sold and provided security systems incorporating the MTI Freedom 1.0 and MTI Freedom 2.0 alarm modules to other persons. Except as specifically admitted, MTI denies the remaining allegations of paragraph 48.
8. MTI denies the allegations of paragraph 49.
9. MTI denies the allegations of paragraph 50.
10. MTI denies the allegations of paragraph 51.
11. MTI denies the allegations of paragraph 52.
12. MTI denies the allegations of paragraph 53.

AFFIRMATIVE DEFENSES

13. Vanguard’s claims are barred in whole or in part by accord and satisfaction.
14. Vanguard’s claims are barred in whole or in part by an implied license to sell the systems incorporating the Freedom 1.0 and Freedom 2.0 alarm modules.
15. Vanguard’s claims are barred in whole or in part by prior payments by MTI to Vanguard.

16. Vanguard's claims are barred in whole or in part by a release from Vanguard.
17. Vanguard's claims are barred in whole or in part by waiver.
18. Vanguard's claims are barred in whole or in part by equitable estoppel.
19. Vanguard's claims are barred in whole or in part by laches.

PRAYER

Wherefore MTI requests the following relief:

- A. An order denying Vanguard's claims for relief in their entirety;
- B. An order declaring that MTI does not infringe the '627 or '365 Patents;
- C. An order declaring that the '627 and '365 Patents are invalid under one or more provisions of Title 35 of the United States Code §§101-116;
- D. An order enjoining Vanguard, its agents, servants, officers, directors, employees, representatives, successors, assigns, parent and subsidiary entities, and any and all persons acting in concert or participation with Vanguard from asserting or threatening to assert the '627 or '365 Patents against MTI, representing to others that MTI's products infringe the '627 and '365 Patents, or representing that the '627 or '365 Patents are valid or enforceable;
- E. An order awarding MTI its costs, declaring this case as "exceptional," and awarding MTI its reasonable attorney fees; and
- F. Such other relief as is just and proper.

Respectfully submitted this 12th day of July, 2012.

CHERNOFF VILHAUER LLP

/s/ J. Peter Staples

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Attorneys for Plaintiff MTI

DEMAND FOR JURY TRIAL

MTI hereby makes a demand for trial by jury as to all issues in this lawsuit so triable.

DATED: July 12, 2012

CHERNOFF VILHAUER LLP

/s/ J. Peter Staples

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